

Message Text

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12

ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 OPIC-03 EB-07 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01

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R 241800Z APR 75

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 805

INFO USMISSION GENEVA

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY PRAGUE

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

USDEL JEC PARIS

USMISSION NATO

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E.O. 11652: N/A

TAGS: PFOR, EAID, VS, VN, DA

SUBJECT: DANISH AID TO VIETNAM

REFERENCE A. PRAGUE 913 (NOTAL), B. COPENHAGEN 1039 (NOTAL)

1. THE DANISH GOVERNMENT'S PROPOSAL TO GRANT THE PREVIOUSLY
PLEDGED 150 MILLION KRONER (\$27.5 MILLION) DEVELOPMENT LOAN FOR
CONSTRUCTION OF A CEMENT PLANT IN NORTH VIETNAM WAS REJECTED BY
A MAJORITY OF THE PARLIAMENT'S FINANCE COMMITTEE ON APRIL 23.

2. THE LOAN WAS PART OF PREVIOUSLY AGREED PROGRAM OF ASSISTANCE
TO BOTH SOUTH AND NORTH VIETNAM, BUT THE POLITICAL OPPOSITION
PARTIES FOUND THE GOVERNMENT'S SUBMISSION OF THE LOAN APPLI-
CATION ILL-TIMED IN VIEW OF THE PRESENT INDOCHINA SITUATION.

THE MODERATE LIBERALS, THE PREVIOUS GOVERNMENT PARTY, LED THE
OPPOSITION BY INSISTING THAT THE LOAN BE HELD IN ABEYANCE UNTIL

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THE VIETNAM SITUATION HAD SETTLED. THE GOVERNMENT REFUSED TO

ACCEPT THE DELAY, FORCED A VOTE AND WAS DEFEATED. THE RADICAL LIBERALS, LEFT SOCIALISTS, AND COMMUNISTS SUPPORTED THE GOVERNMENT WHILE PARTIES RIGHT OF THE SOCIAL DEMOCRATS VOTED AGAINST.

3. GOVERNMENT SPOKESMEN ARGUED THAT PARLIAMENTARY REJECTION OF THE LOAN TO NORTH VIETNAM WOULD PRODUCE AN IMBALANCE IN DANISH AID TO INDOCHINA FAVORING SAIGON. THIS, THEY FELT, WOULD REPRESENT A BREACH OF THE DANISH PRINCIPLE OF POLITICAL NEUTRALITY IN DEVELOPMENT ASSISTANCE. THE OPPOSITION REPLIED THAT SUCH A BREACH IS NOT UNPRECEDENTED.

4. THE DECISION ON THE LOAN WAS COMPLICATED BY PRESSURES FROM THE ANTICIPATED DANISH CONTRACTOR (F.L. SMIDTH GROUP) WHO SAID THAT FAILURE TO PROCESS THE LOAN WOULD DIVERT THE CEMENT PLANT CONTRACT TO JAPAN (HOPEFULLY THE SMIDTH JAPANESE SUBSIDIARY) AND COULD CAUSE LAY-OFFS OF 500-700 WORKERS FROM GROUP'S DANISH PLANTS. THE SMIDTH GROUP ALLEGEDLY HAD ALREADY PROGRAMMED CONSTRUCTION OF THE PLANT, ASSUMING THERE WOULD BE NO DIFFICULTIES SINCE THE LOAN PLEDGE HAD BEEN TENTATIVELY ENDORSED BY THE FORMER MODERATE LIBERAL GOVERNMENT.

5. THE DANISH DEPUTY AID ADMINISTRATOR (REPSDORPH) TOLD ECON COUNS HE ASSUMES THE STATEMENT BY THE MODERATE LIBERALS THAT THEY WOULD BE WILLING TO CONSIDER THE LOAN REQUEST WHEN CONDITIONS HAVE SETTLED IN VIETNAM MEANS THAT, ONCE THIS HAPPENS, THE QUESTION OF THE NORTH VIETNAM LOAN WILL AGAIN BE RAISED--DESPITE THE NEGATIVE VOTE ON APRIL 23. IN ANY EVENT, THE FUNDS ARE BEING HELD ON THE BOOKS, EARMARKED FOR NORTH VIETNAM. REPSDORPH ANTICIPATED THAT F.L. SMIDTH WOULD GET THE CEMENT PLANT ORDER IN ANY CASE, EITHER FOR THEIR DANISH OR JAPANESE COMPANY.

6. EMBASSY COMMENT. WHETHER OR NOT A NEW AID PROJECT FOR NORTH VIETNAM IS EVENTUALLY WORKED OUT, THE DECISION SHOWS THAT FOR THE MOMENT AT LEAST A PARLIAMENTARY MAJORITY BELIEVES THAT A LOAN TO NORTH VIETNAM NOW WOULD APPEAR TO BE REWARDING AGGRESSION.

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